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The Recording Industry Association of America sued four students earlier this month, alleging they operated music-sharing Web sites. Terence Smith reports on the entertainment industry's efforts to stop the downloading of copyrighted music and film from the Internet.

TERENCE SMITH: If you watch music television, you've no doubt seen them.

RECORDING INDUSTRY SPOKESPERSON: Online, Internet, however you do it.

TERENCE SMITH: Recording artists on MTV, country music television...

RECORDING INDUSTRY SPOKESPERSON: Don't download music illegally.

TERENCE SMITH: ...And Hispanic stations pleading with their listeners not to illegally download music from the Internet.

RECORDING INDUSTRY SPOKESPERSON: We appreciate the love, but don't steal the music.

TERENCE SMITH: Music industry executives say Internet theft of copyrighted works has devastated their industry, which has seen several years of troubling market declines.

Fearing their businesses will be next, film and television executives are also seeking further copyright protection.

The financial costs of illegal copying

TERENCE SMITH: Motion picture executives say they are in a war against digital pirates, who are illegally copying hundreds of thousands of movies every day.

And they say, from their point of view, the problem will only get worse as more sophisticated computer software and high-speed Internet access make it easier to download perfect copies of original works.

PETER CHERNIN, News Corporation: I think this is a fundamentally decent country with decent people. And none of us would allow our kids to break into the local Blockbuster and steal movies, and yet millions of us are watching our kids do that just every day on their computer.

TERENCE SMITH: Peter Chernin is COO [Chief Operating Officer] of the media giant, News Corporation, which includes Twentieth Century Fox Studios and Fox Television.

SPOKESMAN: Action!

TERENCE SMITH: He says his industry and the \$15 billion dollar DVD market are at stake.

PETER CHERNIN: Fifty percent of the money that comes into the motion picture industry comes from DVD and video.

If all these products are pirated and stolen on the Internet, trust me, if fifty percent of the income for this business goes away, the business is over as we know it.

TERENCE SMITH: But even as the entertainment giants move to protect their investments, technology advocates and privacy experts wonder, at what cost to the public?

Stanford University law professor Lawrence Lessig.

LAWRENCE LESSIG, Stanford University Law School: In combating Internet piracy, we are destroying the opportunity of the Internet to serve as a tool for extraordinary creativity and innovation.

TERENCE SMITH: Motion picture industry fears stem from the experience of the music business, where executives claim piracy is largely responsible for last year's ten percent decline in global sales.

DAVID MUNNS, EMI Recorded Music: I have never seen the industry under siege like this in the 30 years I have been in this business.

TERENCE SMITH: David Munns is chairman and CEO of EMI Recorded Music in North America, which includes Capitol and Virgin Records, among others.

DAVID MUNNS: This is the place where Sinatra and the Beach Boys and the Beatles recorded.

Catching alleged Internet pirates

TERENCE SMITH: Polls show many Americans don't view copyright theft as theft.

But while the public focuses on the huge amount of money earned by a few artists, Munns says the music industry devotes much time and capital to developing tomorrow's talent. Only a few make it big.

NORAH JONES: I waited till I saw the sun... (singing)

TERENCE SMITH: Like EMI's Norah Jones, whose debut, he says, came out of nowhere and won eight Grammys this year.

DAVID MUNNS: We don't make obscene amounts of money.

We have a legitimate business that has been going for many, many years, and we have a high level of investment in new artists, new music -- a lot of which never makes any money by the way.

TERENCE SMITH: Entertainment companies are pursuing not only the services that enable Internet users to share copyrighted material, but also the users themselves.

DAVID MUNNS: We can see the activity on the Net, we can see what people are doing. We can see the people with hundreds and thousands of files, and one of the things that we are trying to do is identify those people, so that we can give them a fair warning that we can see what they are doing, and tell them they have to stop.

TERENCE SMITH: This month, the record industry did just that, filing suit against individual students it accuses of large scale copyright infringement. Meanwhile, the swapping of entertainment files is swamping university network servers.

Recently, the U.S. Naval Academy confiscated computers and disciplined 85 students for using the school's network to trade copyrighted music and film.

At Stanford University, authorities began limiting access to entertainment sites two years ago. Nonetheless, complaints about copyright violations continue to rise.

VANCE IKEZOYE, Audible Magic Corporation: What I'm going to show you is a report of one of our installations at the University of Wyoming.

This report shows, by date, what files and what songs are actually being traded. There are thousands of files and this is just one day.

TERENCE SMITH: Vance Ikezoye is CEO of the Audible Magic Corporation, which tracks copyright violators for businesses and universities.

In a technique called audio fingerprinting, his company takes analytic measurements of sound and stores them in its database of 3.5 million songs. The company can then identify music, its copyright holder, and report back to its clients on illegally downloaded material.

VANCE IKEZOYE: It's crowding out legitimate use of the network, business use of the network. There's a productivity issue for their employees spending their time downloading songs and movies instead of doing their work, and for a corporation to be singled out as a copyright infringer is a public relations disaster.

An invasion of privacy?

TERENCE SMITH: Stanford University's Lessig, an expert on Internet law, says even more invasive technologies raise serious privacy concerns.

LAWRENCE LESSIG: These technologies are monitoring and surveying what people are doing in a way that ordinary people would be extraordinarily surprised about. So people's reasonable expectation of privacy is being violated by these technologies.

TERENCE SMITH: Industry leaders say they have no choice.

If companies are going to be trolling the Internet to see who's doing this, is there something of a Big Brother in that we as a society ought to be concerned about?

DAVID MUNNS: I think society, first of all, should be concerned about theft on a grand scale.

Of course there are privacy concerns, and there is healthy debate going on about that, but at the end of the day, we do have a right to defend ourselves against illegal activity like this.

Using the Internet to fuel individual creativity

TERENCE SMITH: But singer-songwriter Jenny Toomey of the Future of Music Coalition says entertainment conglomerates don't always represent the artists' best interests.

JENNY TOOMEY, Future of Music Coalition: One of the worst things about copyright is the fact that it has moved away from protecting the creator, which is the language you see in the original copyright, and protecting the corporation.

We have moved towards corporate copyright.

TERENCE SMITH: And as some in the industry press to have copyright protection embedded in consumer electronics, Lawrence Lessig says these efforts will seriously impact the future of the Internet as a source of creative material.

LAWRENCE LESSIG: The response that the music industry has insisted on would be technologies that would essentially break the Internet.

There are technologies that make the Internet much more cumbersome, make it much harder to deliver content, make it much harder to develop new devices, new wireless technologies to connect to the Internet. And it seems to me, that's the wrong response.

TERENCE SMITH: Those in the music industry acknowledge that their solution and their future may be in the belly of the beast: online.

The music industry, for example, is licensing Web sites where music can be downloaded legally for a fee and offering enhanced CDs, with Internet options available to those who have purchased the CD.

But Lessig says the powerful entertainment industry has fought against compromises that, he says, would have truly opened up the distribution of creative works.

LAWRENCE LESSIG: In the context of copyright, every single change the government has made in the last five years, from the courts to Congress, has been about reinforcing the monopoly power of existing content distributors, not about enabling a diversity of competition where artists get paid, and customers get what they want.

TERENCE SMITH: Meanwhile, as the battle continues among the entertainment industry executives, software developers and Internet users, literally millions of people continue doing what they have been doing all along: Downloading, sharing, and copying music and film every day.

JIM LEHRER: A federal judge [on Thursday] upheld one recording industry demand. The judge ordered Verizon Communications to reveal the names of subscribers suspected of illegally offering music for downloading. Verizon has two weeks to appeal.

[U.S. District Court Judge John Bates also ordered the telecommunications company to reveal the identities of two Internet subscribers accused of illegally trading music online to the Recording Industry Association of America. Verizon has 14 days to convince a federal appeals court to grant a stay of this ruling.

The RIAA cited the 1998 Digital Millennium Copyright Act in its legal effort to force Verizon to reveal the names, arguing the act gives movie studios, record companies, software developers and other copyright owners the right to subpoena Internet service providers without judicial approval.

Verizon had argued that turning over subscribers' names would violate their constitutional right to privacy. Verizon's Associate General Counsel Sara Deutsch said the company plans to appeal the ruling.]

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